

## Are you flipping crazy?

Every veteran real estate agent has received the following call: “I have stumbled upon some extra cash lately and decided to buy a house or two and flip them.”

Usually followed by “I’m no Donald Trump, so I would like to start with something small — maybe \$50,000 in Sylvan Park, East Nashville, Bellevue, Green Hills, West Meade, Southeast Nashville, Madison, Donelson, and I’d like to make \$40,000 or \$50,000 per house. I could even throw a little paint on the walls if I absolutely had to.”

The agent’s first reaction should be to tell the person to continue doing whatever it was that made him or her the extra cash because real estate flipping is not something that should be attempted by amateurs.

It is understandable that people would undertake such ventures as they are bombarded from radio, print, television and the Internet with those selling books, tapes, DVDs and other media explaining the potential profits that can be earned.

In reality, the chances of profiting are slim. In most cases, the only thing flipped is the buyer’s net worth. However, should the buyer possess the funds to acquire the property

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without a loan, thereby saving the initial costs associated with the loan, and the interest charged during the renovation and before the closing of the sale, there is a slight chance.

Additionally, the buyer must be capable of performing a majority of the renovation without hiring others. Any monies expended on the labor from third parties can absorb profits quickly.

So, how do people do it? The buyers actually make their money when they buy the house. It must be purchased, or acquired, at the right price. It is virtually impossible to overcome overpaying for investment property. Only time — as in years — can cure that wound.

One of the most outrageous myths is that foreclosures hold the key to wealth and riches. If a person cannot afford to retain possession of his home, he is unlikely to have main-

tained the property.

There are usually leaks in the plumbing along with all of the issues associated with water on wood, i.e., rotting materials. And rotting materials can compromise the structural integrity of the edifice.

Not to be overlooked: Moist wood attracts termites, the most damaging creature, ounce for ounce, in the construction industry. There are about 13 million termites per acre. As the average lot size is approximately a quarter of an acre, there are more than 3,000,000 termites in the yard. And these fellas are hungry and mean. Surely the foreclosed owner had a termite contract, right?

As is the case in most investing, when speculating in real estate, the buyers should invest only as much as they can afford to lose comfortably. Flipping burgers in their spare time is more rewarding..

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